



June 19, 2019

Subject: Tax Increment Funding and Local School Board Participation

Participation: The ability to participate in the planning process of tax increment projects is important to school boards

- Property tax funds make tax increment funding attractive to developers and municipalities
- School boards want and need good relationships with their municipality partners
- School Boards recognize the economic significance of balanced commercial development or redevelopment within their boundaries
- Opportunities to participate “early” during the development and negotiation process prior to the formal agreements can be beneficial
- Occasionally, time constraints and the desire to maintain good municipality partnerships can increase the pressure on school boards
- Negotiations directly with cities can yield both financial and non-financial benefits
- School boards have various policies or practices regarding their participation requirements

Equity: Proportionally, school districts contribute significantly to tax increment projects.

- School districts are the largest contributors for property tax increment projects and have no other means to mitigate their participation.
- Municipalities have different sources of funds that mitigate their participation such as impact fees and sales taxes
- Tax increment funded projects can be lengthy which causes school districts to forgo revenue for several years
- Tax increment funding extensions/renewals can further delay school districts from receiving the full amount of incremental revenues
- Projects that do not “trigger” or begin within three years also delay the incremental revenues school districts can receive
- School boards do feel pressure “to participate” from the other entities

Recommendations: Provide financial benefits to encourage/stimulate participation

- Reducing or eliminating impact fees for school district construction
- Collaboration with entities for housing for school district employees
- Limit the number of years for school district participation and/or correspondingly increase the increment percentage returned to school districts
- Provide other financial benefits to school districts for participation such as land exchanges, elimination of impact fee payments, etc.
- Provide non-financial benefits to school districts such as student internship opportunities and professional development for educators
- Require projects to begin within three years and discourage renewals/extensions thereby allowing schools districts to receive the full increment earlier
- Require municipalities to pay for cost/benefit analysis for all participating entities by independent 3<sup>rd</sup> party consultants